

Instructions for Form 589

Nonresident Reduced Withholding Request

General Information

Beginning January 1, 2008:

- Domestic nonresidents may request a reduction in the standard seven percent withholding amount that is applicable to California source payments made to nonresidents.
- Tax withheld on California source payments to domestic nonresidents is remitted to the Franchise Tax Board (FTB) on a quarterly basis (similar to estimate tax payments). For more information, see the new Form 592, Quarterly Nonresident Withholding Statement.

Round Cents To Dollars

Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25. If you do not round, the FTB will disregard the cents. This change helps process your returns quickly and accurately.

A Purpose

A domestic nonresident taxpayer that can show that the required seven percent rate of withholding will result in excessive withholding, use Form 589, Nonresident Reduced Withholding Request, to apply for a reduction in the amount to be withheld (see R&TC Section 18662).

Do not use Form 589 to request a reduced withholding amount if you are one of the following:

- Foreign (non-U.S.) partner or member. There are no provisions in the California R&TC to waive or reduce withholding for foreign partners or members.
- Seller of California real estate. Sellers of California real estate should use Form 593-C, Real Estate Withholding Certificate.

Form 589 does not apply to payments for wages to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information, contact EDD customer service at (888) 745-3886 or go to their website at www.edd.ca.gov.

For California withholding purposes only, a reference in these instructions to:

- "Nonresident" includes all of the following:
 - Individuals who are not residents of California.
 - Corporations not qualified through the Secretary of State to do business in California or having no permanent place of business in California.
 - Partnerships or limited liability companies (LLCs) with no permanent place of business in California.
 - Any trust without a resident grantor, beneficiary, or trustee, or estates where the decedent was not a California resident.
- "Foreign" refers to non-U.S.

When and Where to File

The vendor/payee must submit Form 589 to the FTB before receiving payment for services. Form 589 is a request for a reduced withholding amount and does not guarantee the domestic nonresident vendor/payee a reduction in withholding unless approved by the FTB prior to the payment for services being performed. Allow 10 business days for processing. Submit requests to:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651
FAX: (916) 845-9512

In an effort to accommodate requests as timely as possible, requests for reduced withholding amounts should be received by the FTB at least 10 business days prior to payment for the services performed. Failure to submit timely requests may result in a seven percent withholding requirement.

Upon receipt of the completed and signed Form 589, the FTB will review the request for a reduced withholding amount. A signature is required on Form 589 from the requestor or vendor/payee in order for the FTB to process. The FTB may request to review all relevant documentation including, but not limited to, receipts and contracts, in order to verify the payment and expense amounts. Upon reviewing the request and supporting documentation, the FTB will make a determination of how much withholding is appropriate for the services performed. Upon making a determination, the FTB will provide a notice to the vendor/payee and the withholding agent with the approved amount to be withheld on the payment outlined on Form 589. The withholding agent will be instructed to withhold the approved amount and remit to the FTB with their next Form 592. In addition, the withholding agent will be instructed to withhold and remit seven percent of any payment made to the vendor/payee in excess of the gross California source payment amount reported on Form 589.

Specific Instructions

Year – Make sure the year in the upper left corner of Form 589 represents the taxable year for which the services are being performed.

Part I – Vendor/Payee

Enter the identification number, name, and address for the vendor/ payee who will be performing the services. Include the Doing Business As (DBA), in this field, if you are an entertainer and performing under a different name. Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123. Foreign Address: Enter

the information in the following order: City, Country, Province/Region, and Postal Code. Follow the country's practice for entering the postal code. Do not abbreviate the country's name.

Part II – Withholding Agent

Enter the withholding agent's name, identification number, and address. The withholding agent is the party that will be providing payment to the vendor/payee for services performed. Include the Private Mail Box (PMB) in the address field. Write "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Part III – Type of Income Subject to Withholding

Check the box that reflects the type of payment that will be received for services performed on the date(s) specified. Check one type only.

Date(s) of Service – Enter the date(s) the services are being performed. The dates of service should reflect the same taxable year as shown in the upper left corner of Form 589.

Part IV – Withholding Amount

Line 1 – Enter the total gross California source payment the vendor/payee expects to receive for performing services. If the vendor/payee and withholding agent have entered into a contract for services, this amount should match the gross payment.

Expenses – The vendor/payee should enter any relevant expenses on lines 2-13 that will be incurred or paid by the vendor/payee for performing the services in California. The FTB may verify the expenses by requesting supporting documentation. Payments the vendor/payee makes to nonresident third parties may meet the requirements for withholding and remitting seven percent of the payment to the FTB.

Line 2 – Advertising

Enter any advertising expenses that are directly related to the date(s) of the services performed.

Line 3 – Commissions and Fees

Enter any commissions and fees paid that are directly related to the date(s) of the services performed.

Line 4 – Cost of Labor (Contract Labor)

Enter the total cost of labor for the date(s) of services performed. **Do not** include salaries and wages paid to your employees.

Line 5 – Insurance

Enter the premiums paid for business insurance related to the date(s) of services performed. **Do not** enter amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for the lost earnings due to sickness or disability.

Line 6 – Legal, Professional, and/or Management Fees

Enter the fees paid for legal, professional, and/or management advice related to the date(s) of the services performed.

Line 7 – Rent or Lease

Enter the amount paid to rent or lease vehicles, machinery, equipment, or other property, such as office space that is related to the date(s) of the services performed.

Line 8 – Supplies

Enter the cost of supplies consumed and used during the date(s) of the services performed.

Line 9 – Travel, Meals, and Entertainment

Enter the expenses for lodging and transportation connected with overnight travel away from your home that is directly related to the date(s) of the services performed. Enter only the deductible portion of the business meal and entertainment expenses that are directly related to the date(s) of the services performed.

Line 10 – Line 11 – Other Expenses (specify)

Enter other expenses, costs, or special circumstances that justify reduced withholding, including all ordinary and necessary business expenses not deducted elsewhere on Form 589. List the type and amount of each expense separately in the space provided.

Do not include the expenses paid or incurred by a third party, such as a booking agent or performance venue. **Do not** include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. **Do not** include charitable contributions. In addition, you cannot deduct fines or penalties paid to a city, county, or state government agency for violating any law. If additional space is needed, attach a separate schedule that lists the type and amount of each expense.

Line 12 – Total Amount of Expenses

Add lines 2 through 11. This is the total amount of expenses the vendor/payee incurred or paid for the date(s) of the services performed.

Line 13 – Net California Source Payment

Subtract line 12 from line 1. This is the net California source payment after the vendor/payee subtracts all expenses. This is the amount subject to seven percent withholding.

Line 14 – Withholding Amount

Multiply the amount on line 13 by seven percent (.07). This is the proposed reduced withholding amount. This amount must be verified and approved by the FTB prior to the vendor/payee receiving payment for services.

Part V – Vendor's/Payee's Signature

Complete the vendor's/payee's and preparer's information. The FTB will not process this form without a signature.

Additional Information

~~For additional information or to speak to a representative regarding this form, call Withholding Services and Compliance automated telephone service at: (888) 702-4900 or (916) 845-4900 (not toll-free).~~

OR write to:

WITHHOLDING SERVICES AND COMPLIANCE
FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0651

For information on requirements to file a California tax return or to get forms, call.

From within the United States (800) 852-5711
From outside the United States (916) 845-6500 (not toll-free)

You can download, view, and print California tax forms and publications from our website at ftb.ca.gov.

OR to get forms by mail write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Assistance for Persons with Disabilities

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call:

TTY/TDD (800) 822-6268

Asistencia telefonica y en el Internet

Dentro de los Estados Unidos, llame al (800) 852-5711

Fuera de los Estados Unidos, llame al (916) 845-6500 (cargos aplican)

Sitio web ftb.ca.gov

Asistencia para personas discapacitadas

Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla pueden llamar al TTY/TDD (800) 822-6268.